

GMR Bajoli Holi Hydropower Private Limited

December 26, 2022

Rating

Sl.No.	Facilities	Amount (₹ crore)	Rating ¹	Rating Action
i	Long-term bank facilities	13.00	CARE D (Single D)	Assigned
ii	Long-term bank facilities	2,242.00 (Enhanced from 1,999.76)	CARE D (Single D)	Reaffirmed
	Total bank facilities	2,255.00 (₹ Two thousand two hundred fifty-five crore only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has assigned rating of 'CARE D' to the fund based working capital limit bearing Sl. No. (i) of GMR Bajoli Holi Hydro Power Private Limited (GBHHPL) and has reaffirmed the rating for the long-term bank facilities bearing Sl. No. (ii). The rating factors in the elevated risk of delays in debt servicing on account of poor liquidity. Although two of the newly commissioned units had been operating at optimum level, due to delay in completion of main transmission line GBHHPL had to rely on interim transmission arrangement at lower capacity, thus restricting output from its third unit. While all the lenders have confirmed delay free track record, nominal surplus generated during the peak months of operation in the current year has created uncertainty with respect to debt servicing during lean season. The rating is constrained by limited track record of operation while stabilisation and ramping-up is yet to be seen. The rating factors in the strong credit profile of one of the off-takers, i.e., Delhi International Airport Limited (DIAL), offset to some extent by GBHHPL's exposure to Uttar Pradesh Power Corporation Limited (UPPCL). The rating is also constrained due to its single-site operation and inherent hydrological risk associated with run-of-the river hydro power projects.

However, it is noted that GBHHPL has low sales risk by virtue of its long-term power purchase agreements (PPAs) with DIAL and UPPCL for its entire capacity. The rating also takes cognisance of successful commissioning of the project, deferment of royalty payable to the Government of Himachal Pradesh (GoHP) enabling the project to create additional cash flow surplus for 12 initial years and the headroom in coverage metrics created by reduction in the interest rate.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Creation of adequate liquidity buffer.
- Significant improvement in coverage metrics from current level.
- Improvement in the credit profile of UPPCL.

Negative factors – Factors that could lead to negative rating action/downgrade: NA

Detailed description of the key rating drivers

Key rating weaknesses

Limited operational track record; stabilisation risk persists: GBHHPL has been operational for seven months at the time of review. Power generation during YTD-October 2022 was 467 MUs equivalent to the plant load factor of 50.5%. Power off-take has been substantially impacted during the period due to non-availability of adequate transmission infrastructure. Going forward, consistent generation and evacuation of the same is to be seen.

Moderate counterparty credit risk: While 67% of the capacity is tied up with DIAL that has strong credit profile, 33% of the capacity is exposed to counterparty credit risk due to the weak financial profile of UPPCL. The collection efficiency for GBHHPL has been reasonable at around 88% during YTD-Oct'22 period. GBHHPL has been receiving payment on time from UPPCL as well. However, sustenance of healthy collection is important from liquidity perspective.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Hydrological risks associated with run-of-the-river power generation: Run-of-the-river power is considered an un-firm source of power, as a run-of-the-river project has little or no capacity for energy storage and therefore is dependent on the flow of river water for power generation. It thus generates much more power during times when seasonal river flows are high and has lower generation during drier months. However, the perennial nature of Ravi river is glacier-fed and hence adequate flow of water throughout the year is envisaged for GBHHPL.

GBHHPL's operations are restricted to a single plant, which exposes it to the risks arising out of single-site nature of operations.

Industry outlook

Hydro power provides many advantages in terms of grid balancing ability due to relatively quicker ramp-up/down, lower emission, lower raw material supply risk etc. The hydro power installed capacity as well as generation is less than 15% of the overall share in the country currently. This is despite substantial hydro power potential. Project implementation is a challenge due to legal, regulatory issues, evacuation and difficulties in financing. Moreover, difficult terrain, geological and climatic risks for construction and operation has been a challenge. The operational projects have also faced issues with respect to timely payment from financially weak discoms in the past. The Ministry of Power and the Ministry of New and Renewable Energy have taken several initiatives to promote development and off-take power under the ambit of renewable source.

Liquidity: Poor

The company has been servicing its debt on timely manner for last 90 days, as confirmed with the lender during this review. Two of its units had been operating at optimum capacity. However due to delay in completion of main transmission line and dependency on interim evacuation infrastructure (which supported evacuation for capacity of two units only), GBHHPL could not generate sufficient power from the third unit. This resulted in nominal cash surplus during the peak months of operations. Consequently, the liquidity level is expected to deteriorate during the lean season. Creation of debt service reserve account (DSRA) is pending while the lenders have allowed timeline extension for the same. The company has recently obtained sanction of fund-based working capital limit of Rs. 32 cr. Cash and cash equivalent of the company stood at Rs.10.28 cr as on October 31, 2022

Key rating strengths

Long-term revenue visibility on account of PPA tie up for the entire capacity: GBHHPL has tied up 120 MW of its capacity with DIAL for 18 years at a reasonable tariff with escalating clause. GBHHPL has also tied up 60 MW of capacity with UPPCL for 25 years, where power would be delivered during May-October period every year.

Commencement of project operations: As per LIE report dated July 01, 2022, all the three units of the project have been commissioned. The plant has been selling power to its off-takers thereon.

Deferment of royalty payable to GoHP, improving liquidity profile: As per implementation agreement of GBHHPL and GoHP, GBHHPL had to provide free power or money equivalent thereof 12% free power for the first 12 years and 18% free power for the 13th to 30th years. GBHHPL had requested GoHP to defer the off take of free power share during the initial years. Accordingly, GoHP has agreed to defer the payment of 12% of its share of the free power for the initial 12 years. From 13th to 20th year the payment of deferred power will be recovered in seven equal instalments with additional 5.14% free power. The deferment of royalty is expected to provide surplus liquidity till the 12th year of operation for GBHHPL.

Improved coverage metrics due to reduction in interest rate: Two of the lenders have reduced interest rate for the term loan. This provides some headroom to the projected debt service coverage ratio (DSCR).

Competent management in developing and operating power projects: GBHHPL is a part of the GMR Group, which is a major player in the infrastructure sector. Over the years, the GMR group has successfully implemented various power projects and has substantial experience in developing and operating power projects.

Analytical approach: Standalone

Applicable criteria:

[Criteria on assigning Outlook](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology - Power Generation Projects](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Liquidity Analysis of non- financial companies](#)

About the company - GBHHPL

GBHHPL, incorporated on October 1, 2008, is a special purpose vehicle (SPV) promoted by the GMR group under its energy subsidiary, GMR Energy Limited (GEL). It has implemented a 180-MW (3x60 MW) hydro power plant (run-of-river with pondage) on the upper reaches of river Ravi, which belongs to the Indus river system in Chamba district of Himachal Pradesh. The project was allotted to GEL by Government of Himachal Pradesh (GoHP) in July 2007 on build, own, operate and transfer (BOOT). The project is awarded for a concession period of 40 years post COD. The project achieved COD on March 28, 2022.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	H1FY23 (Prov.)
Total operating income	2.69	0.32	240.35
PBILDT	-2.72	-5.30	143.06
PAT	-4.76	-383.21	(27.70)
Overall gearing (times)	4.33	18.15	10.4
Interest coverage (times)	0.00	0.00	0.80

A: Audited || Prov.: Provisional

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	13.00	CARE D
Fund-based - LT-Term loan		-	-	Sep 2035	2097.22	CARE D
Non-fund-based - LT-BG/LC		-	-	-	144.78	CARE D

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term loan	LT	2097.22	CARE D	-	1)CARE D (30-Sep-21)	1)CARE D (16-Mar-21) 2)CARE D (06-Jan-21)	1)CARE D (05-Dec-19)
2	Non-fund-based - LT-BG/LC	LT	144.78	CARE D	-	1)CARE D (30-Sep-21)	1)CARE D (16-Mar-21) 2)CARE D (06-Jan-21)	1)CARE D (05-Dec-19)
3	Fund-based - LT-Cash credit	LT	13.00	CARE D				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - LT-BG/LC	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Agnimitra Kar
Phone: +91-11-4533 3285
E-mail: agnimitra.kar@careedge.in

Relationship contact

Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: Swati.Agrawal@careedge.in

About us:

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